



INFORMATIONAL MEMORANDUM

TO: **Finance Committee**
FROM: **Laurel Humphrey, Council Analyst**
DATE: **July 20, 2020**
SUBJECT: **Financial Policies Update Project**

ISSUE

The financial policies of a city represent values and expectations for financial planning, budgeting, accounting, reporting and other management practices. Currently, financial policies for the City of Tukwila exist in a variety of places: across multiple resolutions, the Municipal Code, and the Budget document to name a few. Staff is working on a comprehensive update which will address some organization and consistency challenges.

BACKGROUND

Project Goals

- To revamp, consolidate, clarify, cross-reference, eliminate redundancies and conflicts, and capture the City Council's intent and approval

Mechanisms

- Resolution to repeal 1950 and adopt new reformatted policy document
- Resolution to update purchasing policy, which is currently an Administrative Policy
- Ordinance to remove 3.32.030 and 3.32.040 (and possibly other redundancies) from the TMC

Tentative Schedule

- July 27 Finance Committee
 - Discuss goals and mechanisms as described above
- August 10 Finance Committee
 - draft resolution(s)
 - draft code clean-up ordinance
- August 24 COW
 - Draft resolution(s), ordinance
- September 21 Regular Meeting
 - Possible adoption

RECOMMENDATION

This item is presented for discussion and staff is seeking Committee feedback on the information provided and next steps.

ATTACHMENTS

Exhibit A to Resolution 1950
TMC page 3-11

City of Tukwila

Financial Planning Model Policies

The six-year “Financial Planning Model and Capital Improvement Program” is the primary financial policy document. It represents the culmination of all financial policies.

Revenues

Policy FP-1: Revenues will be estimated on a conservative basis. Increases greater than inflation in the schedule known as the 6-Year Financial Plan – General Fund Revenues and Expenditures will require additional documentation.

Policy FP-2: Major revenue sources will require explanation in the document known as Notes to 6-Year Financial Plan - Revenues, Expenditures and Fund Balance.

Operating Expenditures

Policy FP-3: Expenditures for the General Fund operations (schedule known as General Fund Maintenance and Operations Detail will only include basic inflationary increases at the beginning of the budget preparation process. Proposed increases in programs or personnel will require an issues and options paper and Council approval before being added to the operating expenditures estimate.

Capital Expenditures

Policy FP-4: Project capital grants with local matching requirements can only be applied for with approval by the appropriate City Council Committee. Grant applications should generally be made only for projects listed in the six-year Capital Improvement Program, although exceptions can be made with approval by the appropriate City Council Committee.

Policy FP-5: If the proposed grants or mitigation are either not funded or are reduced, the respective project will be reevaluated on the basis of its value and priority level placement in the Capital Improvement Program.

Policy FP-6: The financing of limited benefit capital improvements (i.e. private development) should be borne by the primary beneficiaries of the improvement. The principle underlying limited benefit is that the property is peculiarly benefited and therefore the owners do not in fact pay anything in excess of what they receive by reason of such improvement.

Policy FP-7: For the purpose of compliance with Tukwila Municipal Code Section 3.32.040, “Unbudgeted Equipment or Fixed Assets,” “unbudgeted” shall mean when a department’s capital asset line item has insufficient budget for the desired purchase. Capital equipment or fixed asset purchases between \$5,000 - \$39,999 are not subject to TMC 3.32.040 and do not require Council Committee approval if there is sufficient budget, unless there is a policy implication.

Enterprise Funds

Policy FP-8: Each Enterprise Fund shall be reviewed annually and it must have a rate structure adequate to meet its operations and maintenance and long-term capital requirements.

Policy FP-9: Enterprise Fund rate increases shall be small, applied frequently, and staggered to avoid an overly burdensome increase and undue impact in any given year.

Policy FP-10: Enterprise Fund rate increases of external agencies (i.e. King County secondary wastewater treatment fees) will be passed through to the users of the utility.

Other General Financial Policies

Policy GF-1: The City’s various user charges and fees shall be reviewed at least every three years for proposed adjustments based on services provided and comparisons with other jurisdictions.

Policy GF-2: The Finance Director shall provide a financial status update at least quarterly.

Policy GF-3: Budget amendments during the year may be approved by budget motion until the end of the budget year, at which time a formal comprehensive budget amendment is submitted.

Policy GF-4: The City shall, whenever practical and advantageous, take advantage of grants, loans, or other external financial sources. With the exception of capital improvement program grants requiring a local match, staff shall report to and seek the approval of the appropriate Council Committee before finalizing the grant.

Policy GF-5: Funds exceeding the Mayor’s allocated signature authority shall not be moved between City departments without prior approval of the City Council.

Policy GF-6: The City Council shall receive an updated list of all contracts every quarter, including the amount, responsible department, scope of work, and expiration date.

CHAPTER 3.30 BUDGET PROCESS

Sections:

- 3.30.010 Establishment of a Two-Year Fiscal Biennium Budget
3.30.020 Mid-Biennial Review

3.30.010 Establishment of a Two-Year Fiscal Biennium Budget

The City Council approved the establishment of a two-year biennium budget for the City of Tukwila, beginning January 1, 2009. The 2009-2010 Biennial Budget and all subsequent budgets are adopted under the provisions of RCW Chapter 35A.34.

(Ord. 2205 §1, 2009)

3.30.020 Mid-Biennial review

Pursuant to RCW Chapter 35A.34, the City Council shall provide for a mid-biennial review, and modification shall occur no sooner than eight months after the start, nor later than the conclusion of the first year of the biennium. The Mayor shall prepare a proposed budget modification and shall provide for publication of notice of hearings consistent with publication of notices for adoption of other City ordinances. Such proposal shall be submitted to the City Council and shall be a public record and be available to the public. A public hearing shall be advertised at least once and shall be held at a City Council meeting no later than the first Monday in December and may be considered from time to time. At such a hearing or thereafter, the Council may consider a proposed ordinance to carry out such modifications, which such ordinance shall be subject to other provisions of RCW Chapter 35A.34.

(Ord. 2205 §2, 2009)

CHAPTER 3.32 BUDGET PROVISIONS

Sections:

- 3.32.010 Transfers
3.32.020 Salary Increase
3.32.030 Bids
3.32.040 Unbudgeted Equipment or Fixed Asset Items
3.32.050 Emergency Procurement

3.32.010 Transfers

Pursuant to RCW 35A.33.120, transfers within a department or division of the separate funds of the annual budget shall be by formal motion of the City Council.

(Ord. 2245 §1, 2009; Ord. 1817 §1, 1997)

3.32.020 Salary Increase

No salary shall be increased above the amount provided therefor in the annual budget and specified in the adopted salary plan of the City. Salaries may be increased subsequent to salary plan changes formally approved by the City Council.

(Ord. 2245 §1, 2009; Ord. 1817 §1, 1997)

3.32.030 Bids

When provided for in the annual budget, the Mayor is authorized to call for bids on public works projects or procure goods or professional services when the project or procurement, including change orders or amendments, does not exceed \$40,000.

(Ord. 2245 §1, 2009; Ord. 1817 §1, 1997)

3.32.040 Unbudgeted Equipment or Fixed Asset Items

Any unbudgeted capital equipment or fixed asset item, including components or services of items, shall be approved by the Mayor and three affirmative votes of the respective Council committee assigned to the requesting department. "Fixed asset" items are defined as costing at least \$5,000 and having a useful life of at least two years.

*(Ord. 2245 §1, 2009; Ord. 2010 §1, 2002;
Ord. 1817 §1, 1997)*

3.32.050 Emergency Procurement

The Mayor or City Administrator is hereby authorized to waive competitive bidding requirements in the event of an emergency, as defined by RCW 39.04.280(3). Such an emergency will be declared in writing by the Mayor or City Administrator. The City Council will meet within two weeks following the award of the contract to consider adoption of a resolution certifying that the emergency situation existed and for approval of the procurement.

(Ord. 2245 §1, 2009)